

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6362

BILL NUMBER: HB 1239

DATE PREPARED: Nov 16, 1998

BILL AMENDED:

SUBJECT: Higher education tax credit.

FISCAL ANALYST: Diane Powers

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the maximum income tax credit for contributions by individuals to Indiana colleges from \$100 to \$200 for single returns and from \$200 to \$400 for joint returns.

Effective Date: January 1, 1999 (retroactive).

Explanation of State Expenditures: There will be some minimal administrative costs to the Department of Revenue for changing forms, instructions and computer programs to accommodate this change.

Explanation of State Revenues: The tax credit for tax years beginning January 1, 1999 is limited to 50% of the charitable contributions to an institution of higher education located in Indiana or a maximum of \$200 for a single taxpayer or \$400 for taxpayers filing a joint return.

In 1996, approximately 79,658 individual income taxpayers claimed \$7.4 M in tax credits for contributions to higher education institutions. The average credit taken by single filers was \$62 or 62% of the \$100 maximum credit. The average credit taken by joint filers was \$103 or just 52% of the maximum credit of \$200.

The fiscal impact of this bill will be reduced tax liabilities of individuals who would make charitable contributions to higher education institutions in excess of the current limits and those who are encourage to contribute for the first time. If the current average of tax credits taken (approximately 53%) on the new maximum tax limits continue, there could be a potential loss of an additional \$7.4 M in individual income tax revenue. Any additional loss of revenue from the increase in the maximum amount of this tax credit will occur in **FY 2000** since it applies to tax years which begin after December 31, 1998.

Income tax revenue is deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue, Institutions of Higher Education.

Local Agencies Affected:

Information Sources: Indiana Department of Revenue.